

February 21, 2023

*Revised to Correct Author's Name*

	<b>Yes</b>	<b>No</b>
DOR Administrative Costs/Savings	X	

Department of Revenue  
Analysis of H.F. 1810 (Fischer) / S.F. 1263 (Maye Quade)

	<b>Fund Impact</b>			
	<b><u>F.Y. 2024</u></b>	<b><u>F.Y. 2025</u></b>	<b><u>F.Y. 2026</u></b>	<b><u>F.Y. 2027</u></b>
		(000's)		
General Fund	(\$290)	(\$100)	\$0	\$0

The subtraction is effective for tax years 2022 through 2024.

**EXPLANATION OF THE BILL**

**Current Law:** The home and community-based workforce development grant program was established to address workforce shortages of frontline workers and support workers in mental and behavioral health, housing, home and community based older adult programs, and programs for persons with disabilities. The program includes an appropriation of \$5,588,000 in fiscal year 2023 and the same amount in fiscal year 2024. At least 90% of the appropriations must be directed to workers who earn less than 200% of current federal poverty guidelines.

**Proposed Law:** The bill increases the maximum income from 200% to 300% of the federal poverty guidelines. The bill specifies that the workforce development grants are not income for the purpose of public assistance or medical assistance programs eligibility.

The bill creates an income tax subtraction for workforce development grants, effective for tax years 2022 through 2024.

**REVENUE ANALYSIS DETAIL**

- It is assumed that the entire appropriation will be distributed in each fiscal year.
- All of the fiscal year 2023 appropriation was assumed to be distributed in tax year 2023. Of the fiscal year 2024 appropriation, 50% was assumed to be distributed in calendar year 2023 and 50% in 2024.
- An average marginal rate of 3.5% was assumed, based on the average marginal rate for returns with income below 300% of the federal poverty guidelines in 2019.
- Tax year impacts were allocated to the following fiscal year.

Minnesota Department of Revenue  
Tax Research Division  
<https://www.revenue.state.mn.us/revenue-analyses>